

## Message Text

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ACTION SS-30

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /031 W

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC IMMEDIATE 7832

INFO AMEMBASSY JIDDA IMMEDIATE

S E C R E T CAIRO 5307

EXDIS

JIDDA PLEASE PASS SIMON PARTY

E.O. 11652: GDS

TAGS: ECON EG EAGR PFOR

SUBJ: EGYPTIAN ARREARAGES; EMBASSY RECOMMENDATIONS

1. IN PREPARATION FOR CALL ON CENTRAL BANK VICE  
CHAIRMAN WHICH UNDER SECRETARY BENNET ARRANGED  
FOR EMBOFF DURING HIS DISCUSSION WITH CENTRAL BANK  
CHAIRMAN AHMAD ZENDOU JULY 16, WE HAVE BEEN GOING  
OVER THE AMOUNT OF ARREARAGES OWED BY GOE, BEARING  
IN MIND ZENDOU STATEMENT TO BENNET THAT GOE IS  
"CURRENT ON ALL DEBTS." ACCORDING TO OUR LOAN  
RECORDS, THE FIFTY-SIX MILLION PLUS FIGURE WHICH IS  
FOUND IN BRADFIELD'S TABLE HEADED QUOTE PAST DUE BILLINGS  
AS OF MAY 31, 1974 ON AID LOANS TO EGYPT UNQUOTE  
REPRESENTS A DOLLAR FIGURE FOR POUND  
LOANS WHICH WERE MADE TO GOE UNDER PL-480  
SECTION 1040; LATTER ARE RELOANS TO GOE  
OF THE POUNDS ORIGINALLY PAID TO THE  
US FOR PL 480 COMMODITIES. GOE HAS BEEN PAYING  
REGULARLY THE INTEREST ON THESE AMOUNTS SINCE  
1968/69 BUT HAS PAID NO PRINCIPAL. WE SUSPECT THAT IN  
CENTRAL BANK TERMINOLOGY THE PAYMENT OF INTEREST ON  
THESE RECYCLED LOANS REPRESENTS "KEEPING CURRENT"  
ON THIS DEBT. (FYI: EMBASSY ACCOUNTANTS POINT

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OUT THAT THESE LOANS WE MADE AT FOUR PERCENT

INTEREST AND THAT INTEREST PAYMENTS AMOUNT TO ABOUT THREE MILLION POUNDS ANNUALLY. IF GOE WERE TO PAY PRINCIPAL, USG WOULD HAVE TO DEPOSIT FUNDS IN ACCOUNT WHICH WOULD BEAR ONLY 3/4 PERCENT OF INTEREST THEREBY RESULTING IN A LOSS OF REVENUE OF 2.5 MILLION POUNDS.)

2. IN ADDITION WE HAVE JUST RECEIVED UPDATED DEPARTMENT OF AGRICULTURE PAST DUE BILLINGS WHICH SHOW A FIGURE OF ABOUT 460 THOUSAND DOLLARS DUE ON CCC LETTERS OF CREDIT. FURTHER EXAMINATION OF THIS FIGURE REVEALS, HOWEVER, THAT EXCEPT FOR GSM 11250 AND GSM 9966 ALL ARREARAGES SEEM TO REPRESENT ADDITIONAL INTEREST ACCRUING ON PRINCIPAL AND INTEREST DURING PERIOD OF FEW WEEKS FROM DUE DATE TO TIME THAT GOE ACTUALLY MADE PAYMENT. CENTRAL BANK, THEREFORE, PROBABLY ALSO CONSIDERS THESE "CURRENT" (ABOVE TWO EXCEPTIONS MAY REPRESENT PROBLEMS WITH FULFILLING TERMS OF LETTER OF CREDIT OF WHICH WE ARE UNAWARE.)

3. OUR RECORDS FURTHER SHOW THAT PAYMENTS (BOTH PRINCIPAL AND INTEREST) DUE ON MAJOR OUTSTANDING AID, EX-IM, CC AND PL 480 LOANS ARE BEING MADE REGULARLY AND IN THE FULL AMOUNT, ALBEIT WITH A "BUREAUCRATIC DELAY", DURING WHICH LATE INTEREST, OF COURSE, ACCRUES.

4. WE REQUEST WASHINGTON CONFIRMATION OF OUR READING OF DETAILS OF GOE ARREARAGES. IF CORRECT, WE BELIEVE WE SHOULD NOT PRESS GOE ON PAYMENT OF LATE INTEREST AT THIS TIME. WE SUGGEST AGENCIES INVOLVED SUBMIT CONSOLIDATED BILL FOR LATE INTEREST AND THEN IF THERE IS NO ACTION ON THIS, EMBASSY WILL MAKE FURTHER REPRESENTATIONS.

5. REGARDING PAYMENT OF THE PRINCIPAL ON THE PL 480 AND 104G LOANS, WE WONDER IF WE COULD NOT EXPLAIN FACT THAT EGYPTIANS ARE EVIDENCING THEIR GOOD FAITH BY REGULARLY

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PAYING THE INTEREST CHARGES AND THAT INDEED THE USG IS GETTING MORE ACTUAL REVENUE FROM THIS METHOD OF HANDLING THE SECONDARY DEBT THAN IF WE WERE TO DEMAND PAYMENT OF THE PRINCIPAL. (SEE FYI SECTION OF PARAGRAPH ONE).  
EILTS

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## Message Attributes

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